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Sunway Construction climbs to five-month high after 1Q profit more than doubles on data centre jobs

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21 May 2025, 09:30 am • Updated - 11:02 am



KUALA LUMPUR (May 21): Sunway Construction Group Bhd's (KL:**SUNCON** **ASK** **EDGE**) stock reached a five-month high after its first-quarter net profit more than doubled, leading the group to declare a first interim dividend of five sen.

At the time of writing on Wednesday, SunCon shares had gained 29 sen or 6% to RM5.17, valuing the group at RM6.64 billion.

The group posted a net profit of RM75.72 million for the quarter ended March 31, 2025 (1QFY2025), up from RM32.4 million in the same quarter last year.

In a bourse filing on Tuesday, SunCon attributed the performance to the accelerated progress of several data centre projects, which enhanced revenue recognition and overall profitability.

Quarterly revenue surged 132% to RM1.4 billion, compared with RM604.80 million in 1QFY2024.

In a research note on Wednesday, Hong Leong Investment Bank (HLIB) raised its forecasts for core profit after tax and minority interest (Patami) by 10.5% for FY2025 and 3.2% for FY2026, on the anticipation of stronger quarters ahead.

HLIB has raised SunCon's contract wins target for FY2025 to RM6 billion, citing positive progress in the execution of recent project awards.

HLIB believes the RM6 billion target is "easily achievable", backed by the upcoming RM1 billion data centre expansion expected in 2QFY2025, along with other high-probability projects including internal and precast jobs which could collectively contribute around RM4 billion in contract value.



The remaining RM2 billion is expected to be secured from new contract wins, supported by the group's RM16 billion outstanding tenders — 80% of which are data centre-related. HLIB anticipates that award decisions for these new data centre tenders will materialise in the second half of FY2025.

The Biden-era AI diffusion rule was recently rescinded, and during this interim period, no restrictions are in place, providing a near-term boost for AI deployments in Malaysia. However, new regulations are expected to be introduced under the current administration.

SunCon's latest unbilled order book stands at RM6.6 billion, providing a 1.9 times cover of its projected FY2024 revenue. This includes data centre contracts from projects K2 and JHB1X0.

HLIB maintained its 'buy' call on SunCon, raising its target price to RM5.36, based on a higher FY2026 price-earnings ratio (PER) of 19.3 times, up from 18.6 times previously. This represents a 0.5 standard deviation premium above its three-year historical range.

"SunCon's premium valuation is justified given solid prospects and a projected upshift in an already superior return on equity [of about] 27%," HLIB said.

In a separate note, RHB Research highlighted that during the 2017 construction upcycle, when data centre projects were not a factor, SunCon traded at a PER of around 15 to 17 times. As such, the stock now has higher valuations, supported by data centre contracts that offer better margins and quicker turnaround times.

The research house also maintained its 'buy' call with a higher target price of RM6.22, following a recalibration of SunCon's target PER to 23.5 times from 27 times, aligning it with key data centre peers.

There are 17 research houses currently covering SunCon, with 15 on 'buy', one on 'hold' and one on 'sell' recommendations. The average target price stands at RM5.22, according to *Bloomberg*, indicating a potential upside of up to 0.6% over the next 12 months based on its most recent price.